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Women Entrepreneurship and Growth and Performance of MSMEs in India

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Abstract: In the 21st century, Micro, Small and Medium Enterprises (MSMEs) are acting as specialist and soul of economic growth in India as well as in the world. Micro, Small and Medium Enterprises (MSMEs) play a dominant role in the economic development of a country. MSMEs have been largely recognized as a foundation stone for the industrial development of any country. These enterprises contribute about 90 per cent of the business worldwide. In India, it has been a perception that women can only play the role of housewives who can only take care of their home and family. But this perception has changed now. The discussion on women entrepreneurship has always been avoided in Indian society and social sciences. But now the situation has completely changed. Women are not just housewives now but there is a change in their role from house makers to business women. In Modern India, more and more women are taking up entrepreneurial activity especially in micro, small and medium scale enterprises. Women across India are displaying an attentiveness to be economically independent. The Indian women are no more treated as beautiful showpieces. They have imprinted a niche for themselves in the male dominated world. Indian women well manage both burden of work in household front and meeting the deadlines at the work place. Gender equality and economic development are the two sides of the same coin. However the entrepreneurial procedure is the same for men and women, there are however, in practice, many problems and challenges are faced by women, which are of unlike dimensions and magnitudes, which inhibit them from apprehending their full potential as entrepreneurs. The present paper focuses on the growth and performance in MSMEs in India and the problems and challenges which are faced by women entrepreneurs in India. It also focuses on initiatives taken by the government for women entrepreneurs.

Keywords: MSMEs, Women Entrepreneurs, MSME Act, CAGR, Growth of MSMEs.

I. INTRODUCTION

In the 21st century, Micro, Small and Medium Enterprises (MSMEs) are acting as specialist and soul of economic growth in India as well as in the world. Micro, Small and Medium Enterprises (MSMEs) play a dominant role in the economic development of a country. MSMEs have been largely recognized as a foundation stone for the industrial development of any country. These enterprises contribute about 90 per cent of the business worldwide. They provide employment to more than 50 per cent of the world's workforce. They have played a fundamental role in the development of manufacturing and export sector of China, Srilanka, Thailand, Indonesia, Vietnam and Egypt. In India, MSMEs has a very vital role to play in the progress of the country. MSMEs are considered as the second largest source of employment after agriculture in India. A tremendous growth of small scale sector has resulted in decentralized industrial development, better distribution of wealth, investment and entrepreneurial talent. They account for almost 40 per cent of industrial production, 95 per cent of the industrial units, 34 per cent of exports and manufacture over 6000 products. This sector produces a mixture of industrial products such as food products, beverages, tobacco and goods produced from it, cotton textiles and wool, silk, synthetic products, jute and jute products, wood and wood products, furniture and fixtures, paper and goods produced from it. Other services also comprise of

machinery, apparatus, appliances and electrical machinery. This sector also has a large number of growing service industries. They also include various types of units ranging from traditional crafts to modern high tech industries and ancillaries that supply components to most modern large-scale industries. Thus, it can be said that Micro, Small and Medium Enterprises are the engines for driving the vehicle of economic growth of a country.

Definition of MSME

In accordance with the provisions of **Micro, Small and Medium Enterprises Development Act 2006** the Micro, Small and Medium Enterprises are classified into two classes.

- A. Manufacturing Enterprises:-**The Enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation Act 1951) the manufacturing enterprises are defined in the terms of investment in plant and machinery.
- B. Service Enterprises: -**
 - a. The enterprises engaged in providing or rendering of services and are defined in the terms of investment in equipment.
 - b. The limit of investment in plant and machinery/equipment for manufacturing/ Service Enterprises as notified.

II. REVIEW OF LITERATURE

Subramanyam and Reddy (2012) presented an overview of Micro, Small and Medium Enterprises (MSMEs) in India. The study analysed the performance of MSMEs in India. It made a comparison of the growth of MSME sector with overall industrial sector and also investigated into the sickness of MSMEs. The study found that MSME sector has contributed significantly to India's Gross Domestic Product and export earnings. It also found that sickness in Industry doesn't occur overnight rather it takes 5 to 7 years to erode the health of an industrial unit. **Kumar and Gugloth (2012)** evaluated the performance of MSMEs before and after liberalization. The study also analysed the impact of globalization on the performance of MSMEs and made a comparative analysis of the growth pattern of key parameters between pre and post globalization period. It took a period from 1999 to 2010 for the analysis. It also focused on the on-going changes in the business environment. The study found that the small scale sector has grown rapidly over the years. It also found that the period of liberalization and the development of MSMEs sector constituted an important segment of our economy. **Singh and Raina (2013)** described the problems and challenges faced by women entrepreneurs in India and also analysed the policies of Indian government for women. The study mainly focused to find out the status of women entrepreneurs in India. The study found that in modern India, more and more women are taking up entrepreneurial activity especially in MSMEs. It also observed that Indian women have imprinted a position for themselves in the male dominated world. It further showed that Indian women can well manage their household work as well their workplace deadlines. **Benard and Victor (2013)** examined the growth of women entrepreneurs in Dar es Salaam city of Tanzania on strengths, weaknesses, opportunities and threats. It used a sample of 130 women entrepreneurs and simple random sampling technique for the selection of sample. The study found that a major strength was the need for financial independence for women entrepreneur. It also observed that the major opportunity was the desire to own boss which leads to women entrepreneurship. It further found that the weakness was that most women lack entrepreneurs fail because of lack of education and the major threat to be the pressure of child care in the family. **Jayan (2013)** analysed women entrepreneurship in MSMEs and the relationship between industries related factors and success of entrepreneurs with special reference to Coimbatore city. The study identified that the factors which motivate women to become a successful entrepreneurs are achievement motivation and human relation.

III. OBJECTIVE OF THE STUDY

- To study the growth and performance of MSME Sector in India.
- To study the Current Scenario of women entrepreneurs in India.
- To study the problems and challenges faced by women entrepreneurs in India.
- To study the initiatives taken by government for women entrepreneurs in India.

IV. RESEARCH METHODOLOGY

The present study is descriptive and analytical in nature. The data used for the study is secondary in nature and has been collected from annual reports of Ministry of Micro, Small and Medium Enterprises, Government of India, website of Reserve Bank of India, various journals, newspapers and white papers on Micro, Small and Medium Enterprises. The growth and performance of MSMEs has been analysed using Compound Annual Growth Rate (CAGR) Technique. The formula of Compound Annual Growth Rate is stated as under:-

$$\text{CAGR} = [(\text{Ending Value} \div \text{Beginning Value})^{1/n}] - 1$$

A. Growth and Performance of MSME sector in India

Table1. Performance of MSME Units, Employment, Investments and Gross Output

Year	Total Working Enterprise (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (In Crore)	Gross Output (In Crore)
II	III	IV	V	VI
2001-02	105.21	249.33	154349.00	282270.00
2002-03	109.49	260.21	162317.00	314850.00
2003-04	113.95	271.42	170219.00	364547.00
2004-05	118.59	282.57	178699.00	429796.00
2005-06	123.42	294.91	188113.00	497842.00
2006-07	361.76†	805.23†	868543.79*	1351383.45*
2007-08#	377.37	842.23	917437.46	1435179.26
2008-09#	393.70	881.14	971407.49	1524234.83
2009-10#	410.82	922.19	1029331.46	1619355.53
2010-11#	428.77	965.69	1094893.42	1721553.42
2011-12#	447.73	1012.59	1176939.36	1834332.05
CAGR	12.83%	12.39%	18.45%	16.88%

† Including activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing (except cold storage) for which data were extracted Economic Census 2005, Central Statistics Office, M/o SPI.

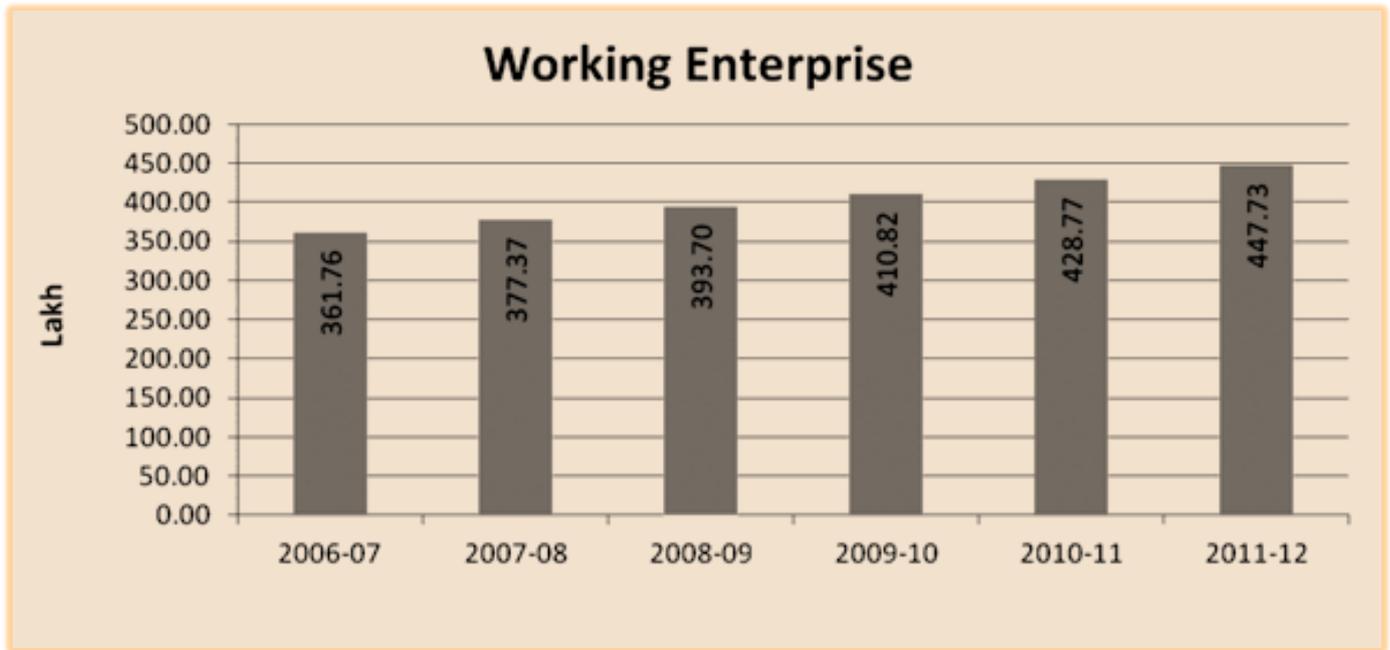
* Estimated on the basis of per enterprises value obtained from sample survey of unregistered sector for activities wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing(except cold storage) which were excluded from Fourth All India Census of MSME, unregistered sector

Projected

(Source: Annual Report 2012-13, Ministry of Micro, Small and Medium Enterprises, Government of India)

Charts Showing Statistics of the Sector

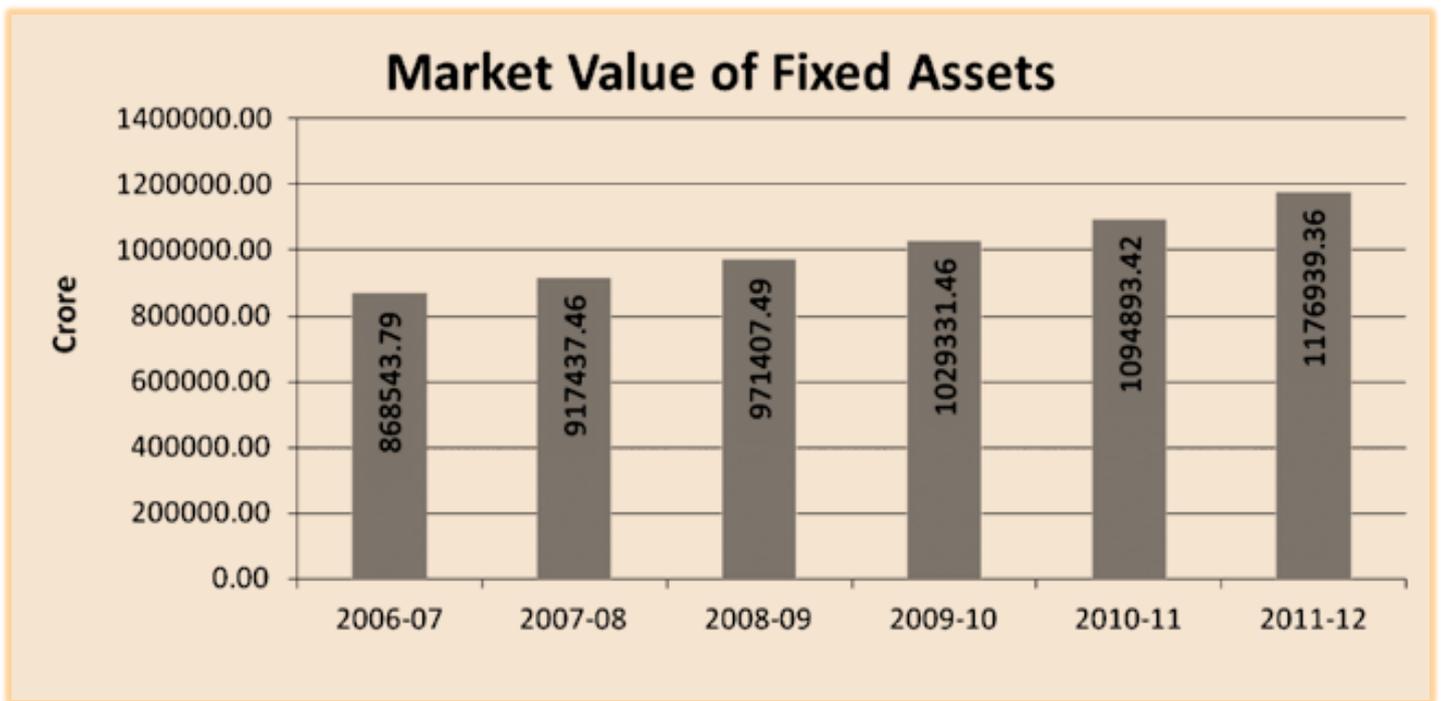
a) Number of Enterprises in MSME Sector



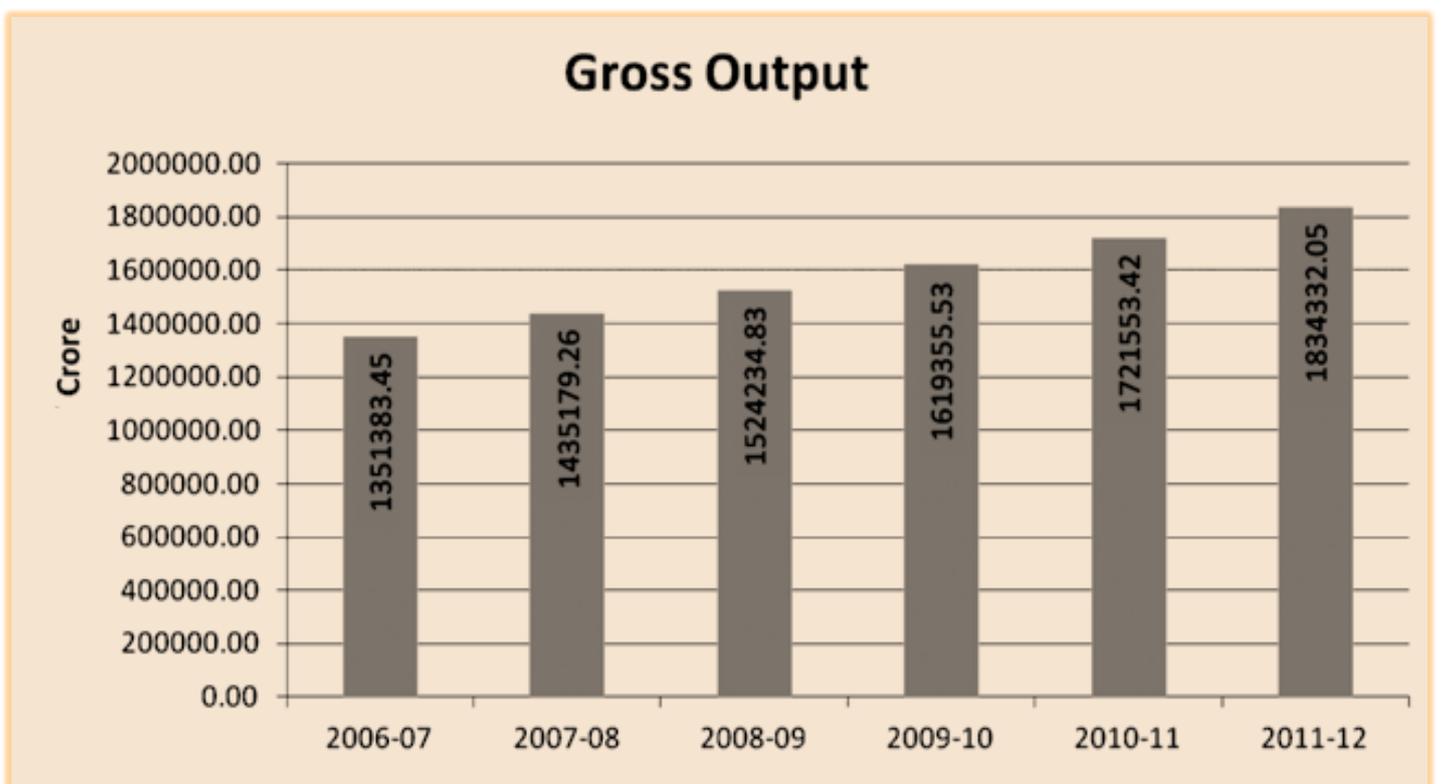
b) Employment in MSME Sector



c) Fixed Investment in MSME Sector



d) Gross Output in MSME Sector



(Source: Annual Report 2012-13, Ministry of MSME, GOI)

B. Current Scenario of Women Entrepreneurs in India

The word entrepreneur is derived from the French word “entrepreneur” which means a person who carries out the task of bringing together various resources and manages them to accomplish desired results and take some portion. Women Entrepreneurs may be defined as the women or a group of women who initiate, consolidate and run a business enterprise. Government of India has defined Women Entrepreneurs as an enterprise owned and controlled by women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to

women. Women Entrepreneurship in India symbolizes a group of women who are discovering new opportunities of economic participation. Entrepreneurship amongst women is a fairly recent phenomenon. Women Entrepreneurship plays a crucial role in Industrial development. Women Entrepreneurs also have many functions to perform as performed by male entrepreneurs. They should discover the visions of opening new enterprise, undertake risks, introduction of new inventions, manage administration and control of business and provide active leadership in all aspects of business. Women entrepreneurs are influenced by both push and pull factors. Pull factors comprise of aspirations for autonomy and independence, personal satisfaction and achievement, or search for a challenge, challenging/rejecting gender stereotypes, gap in the market, etc. Push factors comprise of dissatisfaction with the labour market, need for greater income, unemployment, desire for a better life or higher earnings, financial incentive and motivation from government/schemes for assistance, attraction of high profit margins, etc.

Women play a vital role in reducing poverty through productive work that they are involved in outside their home. Women's contribution in micro, small and medium enterprises is growing so that developmental goals and aims to lessen poverty, to improve family health and empower women's economic status can be accomplished. Women Entrepreneurship deals with both the condition of women and role of entrepreneurship in the society. Therefore, it can be said women are considered as the better half of the society. In the traditional societies they were restrained to the four walls of the houses carrying out only household activities. But the situation has changed now. In the modern society, they have arisen out of the four walls to contribute in all kinds of activities. The Indian women are no more treated as beautiful showpieces. They are taking pleasure and relishing the fruit of globalization by making an impact on the domestic and international domains.

C. Women Entrepreneurship in India : Problems and Challenges

Though, in practice, the same entrepreneurial process is followed for both men and women but there are many problems and challenges which are being faced by women entrepreneurs in India. These problems and challenges are:-

- **Male Dominated Society:** - The utmost constraint to women entrepreneurs is that they are women. A male dominant social order is the biggest hurdle to them in their way towards business success. Male members consider it to be a big risk funding the ventures run by women.
- **Distrust in the Entrepreneurial abilities of Women:** - The financial institutions do not trust the entrepreneurial abilities of women. The bankers put impracticable and absurd securities to get loan to women entrepreneurs. According to the report by the United Nations Industrial Development Organization (UNIDO), "despite evidence that women's loan repayment rates are higher than men's, women still face more difficulties in obtaining credit," often due to biased attitudes of banks and informal lending groups.
- **Inadequate Financial Resources and Working Capital:** - Entrepreneurs generally need financial assistance of some kind to take-off their ventures- be it a formal bank loan or money from a savings account. The women entrepreneurs are suffering from inadequate financial resources and working capital. They do not have access to external funds due to their incapability to provide tangible security. Very few women have tangible property in hand.
- **Family Obligations:** - Women's family obligations also restrict them from becoming effective entrepreneurs in both developed and developing nations. "Having primary responsibility for children, home and older dependent family members, few women can devote all their time and energies to their business." The financial institutions dishearten women entrepreneurs on the belief that they can at any time leave their business and become housewives again. The consequence is that they are compelled to depend on their own savings, and loan from relatives and family friends.
- **More Importance to Family Ties and Relationship:** - Indian women give more importance to family ties and relationships. Married women have to make a reasonable equilibrium between business and home. Moreover, the success of a business depends on the support of the family members to married women who are engaged in the business process and management.

- **Lack of Managerial Skills:** - Another dispute is that women entrepreneurs have low-level management skills. They have to rest on office staffs and intermediaries, to get things done, especially, the marketing and sales side of business.
- **Hard Competition between male and female:** - The male-female competition is another reason which develops hurdles in the path of women entrepreneurs in the business management process. In spite of the fact that women entrepreneurs are good in keeping their services prompt and delivery in time, due to lack of organizational skills compared to male entrepreneurs women have to face constraints from competition.
- **Low Mobility:** - The confidence to travel across day and night and even different regions and states are less found in women as compared to male entrepreneurs. This shows the low level of freedom of expression and freedom of mobility of women entrepreneurs
- **Lack of Knowledge of Availability of Raw-materials:** - Information of different sources of raw-materials availability and high negotiation skills are the basic prerequisites to run a business. Receiving the raw materials from different sources with discount prices is the factor that defines the profit margin. Lack of knowledge of availability of the raw-materials and low-level negotiation and bargaining skills are the factors, which affect women entrepreneurs' business adventures.
- **Lack of Education:** - Knowledge of modern technological changes, know how, and education level of the person are the major factors that affect business. The literacy rate of women in India is found at low level compared to male population. Many women in developing nations lack the education required to build up successful entrepreneurship. They are unaware of new technologies or inexpert in their use, and often incapable to do research and gain necessary training.
- **Inability to take risks:** - Low-level risk taking attitude is another factor affecting women entrepreneurs. Investing money, maintaining the operations and ploughing back money from surplus generation requires high risk taking attitude, courage and confidence.
- **Managing Employees:** - Managing employees is another challenge that women entrepreneurs in India face. Finding and retaining good employees is vital for the success of a business, but can be problematic for women entrepreneurs in India. Since women owned businesses tend to be smaller, they are often less likely to provide job security and retain good talent.
- **Inefficient arrangements for Marketing and Sales:** - For marketing their products, women entrepreneurs are frequently at the mercy of the middlemen who pocket the chunk of profit. Further, women entrepreneurs find it tough to capture the market and make their products popular. This problem is all the more serious in the case of food production and processing ventures.

Initiatives

D. Government Initiatives for Women Entrepreneurs in India

The government of India and the various state governments have come up with policies and programmes to assist women entrepreneurs and help in solving the above stated challenges and problems which they face. A brief account of these policies and programmes are given below.

1. **Policy Initiatives:** Government of India is committed to develop MSMEs in general and women entrepreneurship in particular. In a broad manner the government has implemented the MSME Development Act 2006 which has already come into effect. There is a provision to reserve items exclusively for the MSMEs. At present 20 items are reserved for these sectors. However depending on the factors such as economies of scale, level of employment, prevention of concentration of economic power etc. there are possibilities of de-reservation also. The govt. has also launched National Manufacturing Competitiveness Programme (NMCP) to encourage competitiveness in this sector. Women entrepreneurship has been benefiting from these policy initiatives.

2. **Role of the Ministry of MSME:** The Ministry of MSME is primarily set up to assist various states and Union Territories in the effort to promote growth and development of MSME in general. The two specific schemes to assist the women entrepreneur (a) The Scheme of Trade Related Entrepreneurship Assistant and Development TREAD and (b) Mahila Coir Yojana. TREAD is linked with NGOs wherein the Govt. provide the grant up to 30% of the total project cost and also provide separate grant for research and development. Mahila Coir Yojana is a self-employment programme for women aimed to provide training and ratts for carrying out spinning activities in a subsidized manner.
3. **Entrepreneurship Development Programme (EDP):** The Government also announce from time to time Entrepreneurship Development Programme (EDP) especially for the first generation of women who desire to be entrepreneur. For the purpose of training and skill development there are three important institutions namely National Institute of MSME, Hyderabad, National Institute of Entrepreneurship and Small Business Development (NISESBUD, Noida and Indian Institute of Entrepreneurship (IIE), Guwahati and NISC, Delhi. All the institutions taken to gather had trained more than 20,000 women during the 2011-2012.
4. **Prime Minister's Employment Generation Programme (PMEGP)** launched in 2008-09 also gives special attention to urban and rural women by providing them subsidy at the rate of 25 to 35 per cent of the project cost in urban and rural areas respectively. Bank finance in the form of loan is 95% of the project cost for women.
5. **The Ministry of Women and Child Development of Government of India** does play an important role for all round development of women and provides support to women to empower themselves. It has launched the National Mission for Empowerment of Women (NMEW) in March, 2010. The mission has the network of various State Mission Authority (SMAs) at state level. Besides that there are two important schemes of the ministry which can act as complement to the process of development of women entrepreneurship. These schemes are named as Rajiv Gandhi Scheme for Empowerment of Adolescent Girls-Sabla and Support to Training and Employment Programme (STEP) for women. 'Sabla' was launched in 2010 with one of the objectives to provide vocational training to girls aged 16 and above under National Skill Development Programme. 'STEP' has been operational since 1986-87 with the objective to ensure sustainable employment and income generation for marginalised and asset less women across the country.
6. **Other schemes operated by different departments and ministries** are: Management Development Programmes, Women's Development Corporations (WDCs), Marketing of Non-Farm Products of Rural Women, Assistance to Rural Women in Non-Farm Development (ARWIND) Schemes, Micro Credits Scheme etc.

V. CONCLUSION

It can be concluded that Micro, Small and Medium Enterprises are contributing to the economic growth and development of Indian economy. Women Entrepreneurs who were traditionally kept behind the four walls of their houses, now in modern society are capable of managing both their family and business. Though they face many problems and challenges in their path of becoming a successful entrepreneur but the government has taken many initiatives for the growth of women entrepreneurs. Finally, it can be said that there is a long way to go for women entrepreneurs and MSMEs in India and their success is the success of Indian economy.

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